



Los Angeles County  
Board of Supervisors

September 25, 2014

Gloria Molina  
First District

Mark Ridley-Thomas  
Second District

Zev Yaroslavsky  
Third District

Don Knabe  
Fourth District

Michael D. Antonovich  
Fifth District

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM:  Mitchell H. Katz, M.D.  
Director

SUBJECT: **NOTIFICATION OF DEPARTMENT OF HEALTH  
SERVICES' USE OF DELEGATED AUTHORITY TO  
EXECUTE AN AMENDMENT TO AGREEMENT  
WITH HEALTH MANAGEMENT SYSTEMS, INC.**

Mitchell H. Katz, M.D.  
Director

Hal F. Yee, Jr., M.D., Ph.D.  
Chief Medical Officer

Christina R. Ghaly, M.D.  
Deputy Director, Strategic Planning

This is to advise the Board that the Department of Health Services (DHS) has exercised its delegated authority, approved on December 6, 2011 (attached), to extend the term of Agreement No. H-211033 with Health Management Systems, Incorporated (HMS) for an additional one year through December 30, 2015, subject to review and approval by County Counsel and notification to the Board and the Chief Executive Office.

HMS provides proprietary Patient Management Systems software for DHS and Health Center Operations software for the Department of Public Health. The Agreement is set to expire on December 30, 2014. County Counsel has approved the Amendment as to form.

If you have any questions or require additional information, please contact Lauren Simmons, Chief Information Officer of Managed Care Services, at (626) 299-5317.

MHK:lr

Attachment

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors  
Chief Information Office

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
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[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

*To ensure access to high-quality,  
patient-centered, cost-effective  
health care to Los Angeles  
County residents through direct  
services at DHS facilities and  
through collaboration with  
community and university  
partners.*



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**Health Services**  
LOS ANGELES COUNTY

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December 6, 2011

Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT TO AGREEMENT WITH HEALTH  
MANAGEMENT SYSTEMS, INC.  
(ALL SUPERVISORIAL DISTRICTS)  
(3 Votes)**

CIO RECOMMENDATION: APPROVE ☒ ] APPROVE WITH  
MODIFICATION ☐ ] DISAPPROVE ☐ ]

**SUBJECT**

Request approval of an Amendment to extend the term of an Agreement with Health Management Systems, Inc. for proprietary Patient Management Systems software for the Department of Health Services, and Health Center Operations system software for the Department of Public Health and increase the maximum contract sum for the extended period.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the Director of Health Services (Director), or his designee, to execute Amendment No. 5, to Agreement No. H-211033 with Health Management Systems, Inc. (HMS), effective on date of Board approval to 1) extend the Agreement term for the period December 31, 2011 through December 30, 2013, for the continued provision of computer system software and application maintenance, support, and training for Patient Management System (PMS) software for the Department of Health Services (DHS) and Health Center Operations (HCO) system software for the Department of Public Health (DPH) and increase the Agreement's Contract Sum by \$7,784,319 for DHS and by \$469,834 for DPH for the two year period and 2) add two one-year options to further extend the term of the Agreement

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

#19 DECEMBER 6, 2011

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

through December 30, 2015 with an increase in the Contract Sum for the extension period.

2. Delegate authority to the Directors of DHS and DPH, or their designees, with mutual written consent of HMS, to exercise the two one-year extension options through December 30, 2015 at a maximum increase in the Contract Sum of \$8,898,961 for the two years, subject to review and approval of County Counsel and notice to your Board and the Chief Executive Office (CEO). DHS will take the lead for Amendment No. 5 execution, but each director will be responsible for their respective portions of Amendment No. 5.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS**

California Code of Regulations Title 28, Article 9, Sections 1300.75.4.3 and 1300.84.6 (Title 28) requires managed care health plans, including DHS' Community Health Plan (CHP) administered by the Ambulatory Care Network (ACN), to have a member enrollment and reporting system. The PMS component of the Agreement satisfies this requirement, as well as provides functionality for eligibility verification, authorizations, and claims processing for the Medi-Cal Managed Care Program, Healthy Families Program, In-Home Supportive Services Provider Plan, Healthy Way LA Program, and General Relief Health Care Program. The HCO component is required by DPH in order to support the public health centers' information management needs for each facility's patient registration and scheduling. The system serves as a repository to capture encounter codes for the purposes of billing Medi-Cal and tracking clinic workload.

Approval of the recommendations will allow the Director to execute an Amendment to the HMS Agreement, substantially similar to Exhibit I, to ensure uninterrupted day-to-day operations and continued maintenance, support, and training for the proprietary PMS software for DHS and HCO software for DPH. The current Agreement expires December 30, 2011.

Moreover, as instructed by your Board in December 2005, DHS was in the process of procuring a replacement system for PMS. In May 2008, a Request for Proposal was released for an integrated healthcare payer solution to replace PMS. In March 2010, DHS began negotiations with the highest ranked proposer. However, in April 2010, negotiations were put on hold due to impending changes in DHS' strategic direction and initiatives based on the following (subsequently, the proposer's proposal expired on June 30, 2011):

- On April 1, 2010, the County CEO released a report and made recommendations to your Board regarding Health Management Associates' evaluation of Office of Managed Care/Community Health Plan (OMC/CHP) and DHS' readiness for healthcare reform.

- On April 13, 2010, your Board approved, among other recommendations, that the CEO convene negotiations with DHS and L.A. Care Health Plan to determine if a new relationship can be forged to assure mutual benefit and long-term sustainability for DHS in healthcare reform.

As a result, DHS is currently transforming and restructuring from an episodic, hospital focused system to an integrated ambulatory and managed care delivery system. This includes, but is not limited to, restructuring the OMC and Office of Ambulatory Care into the new Ambulatory Care Network to oversee ambulatory and managed care services, transitioning CHP members to L.A. Care Health Plan, and establishing patient-centered medical home (PCMH) teams at ambulatory care facilities. PMS will be a critical component to the PCMH process as the primary source for storing DHS patient-to-primary care provider assignment information. In the meantime, DHS is continuing to pursue replacing PMS with other alternatives in line with its new strategic direction. The recommended extension period will provide time for DHS to complete that process.

#### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommended actions support Goal 1, Operational Effectiveness, and Goal 4, Health and Mental Health, of the County's Strategic Plan.

#### **FISCAL IMPACT/FINANCING**

This Amendment will extend the term for two additional years, for the period December 31, 2011 through December 30, 2013, at a maximum cost of \$8,254,153, and upon the written mutual consent of County and Contractor, two (2) one-year optional extensions through December 30, 2015 at a maximum cost of \$8,898,961, for a total maximum cost of \$17,153,114. Included within the maximum cost for Amendment No. 5 is a rate increase from Amendment No. 5 which increases funds required for DHS by \$191,166 and DPH by \$3,912 for a total increase of \$195,019. Attachment A delineates the three (3) areas of impacted by rate increases.

Funding for the first year of the extended term is included in the Fiscal Year 2011-12 Final Budget for DHS and DPH, and will be requested in future fiscal years as necessary.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In January 1984, the Purchasing Agent issued a purchase order to Global for the installation of a proprietary Global PMS product through a competitive bid process. Since that time, DHS has recommended renewal of this Agreement with HMS because of the proprietary status of the PMS software and HCO system software.

On August 30, 1994, your Board approved Agreement No. H-203925 with Global Health Systems, Inc. (Global) for the provision of computer software system maintenance services for the PMS software and HCO system software.

On October 29, 1996, your Board approved Agreement No. H-206448 with Global for the continued provision of the same services. On June 17, 1998, your Board approved Amendment No. 1 to Agreement No. H-206448 to acknowledge the transfer of ownership from Global to HMS and assignment of the Agreement to HMS.

On January 12, 1999, your Board approved Agreement No. H-210100 with HMS for the continued provision of the same services through December 30, 1999.

On December 14, 1999, your Board approved the current Agreement No. H-211033 with HMS, for the continued provision of computer software system maintenance services for PMS and HCO, through December 30, 2002.

On December 10, 2002, your Board approved Amendment No. 1 to the Agreement with HMS, for the continued provision of computer software system maintenance services for PMS and HCO, through December 30, 2004, with a one-year optional extension of the term through December 30, 2005.

On March 18, 2003, Amendment No. 2 to the Agreement was executed to add Health Insurance Portability and Accountability Act language only. On October 6, 2004, under delegated authority provided in the Agreement, DHS extended the term for an additional 12-month period, ending December 30, 2005.

On December 6, 2005, Amendment No. 3 to the Agreement was approved to extend services from December 31, 2005 through December 30, 2007, with an optional extension of the term through December 30, 2009, for the continued provision of computer software system maintenance services for PMS and HCO. At that time, your Board expressed an interest that OMC move toward implementing its strategic direction to migrate away from PMS and required a written status report every six months regarding the procurement of a replacement system for the PMS. DHS has been providing those reports as requested to your Board. On November 19, 2007, under delegated authority provided in the Agreement, DHS and HMS mutually consented to extend the term to December 30, 2009.

On December 2, 2008, Amendment No. 4 to the Agreement was approved to extend services from December 31, 2009 through December 30, 2010, with an optional extension of the term through December 30, 2011. On August 25, 2011, under delegated authority provided in the Agreement, DHS and HMS mutually consented to extend the term through December 30, 2011.

The Agreement may be terminated for convenience by the County upon 60 calendar days written notice.

The Agreement includes all Board of Supervisors' required provisions, including the most recent insurance provisions. Approval of Amendment No. 5 will: update the standard provisions of the Agreement; update The Business Associate Protected Health Information Disclosure Agreement; and add Contractor's Warranty of Compliance with County's Defaulted Property Tax Reduction Program to the Agreement.

County Counsel has approved Exhibit I as to form.

The HMS Agreement is not a Proposition A Agreement since the services are of an extraordinary, professional nature, and therefore, not subject to the Living Wage Program (Los Angeles County Code Chapter 2.201).

**CONTRACTING PROCESS**


Not applicable.


**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of this recommended extension will ensure the continued provision of computer system software and application maintenance, support and training for PMS until such time as a replacement system is implemented. This will also provide uninterrupted operations and support for HCO.

Respectfully submitted,

Reviewed by:

  
Mitchell H. Katz, M.D.  
Director

  
Richard Sanchez  
Chief Information Officer

MHK:KH:rt

Enclosures (4)

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES  
BOARD LETTER ATTACHMANT A TO AGREEMENT H-211033

SCHEDULE OF RATE INCREASES

DHS PMS	TERM		
	Annual	Contract Yr	Calendar Yr
Project	\$0.00	13	2012
Administration	\$3,768.36	14	2013
	\$3,824.88	15	2014
	\$3,882.24	16	2015
Total	\$ 11,475.48		

No rate increase from Amend#4 - Contract Year 12.

Other	\$0.00	13	2012
Professional	\$58,448.64	14	2013
Services -	\$59,877.12	15	2014
Custom Prog	\$61,305.60	16	2015
Modifications			
Total	\$ 179,631.36		

No rate increase from Amend#4 - Contract Year 12; increase in hours from 11,404 to 11,904.


DPH HCO	TERM		
	Annual	Contract Yr	Calendar Yr
HCO	\$0.00	13	2012
Application	\$1,284.92	14	2013
Software	\$1,304.19	15	2014
	\$1,323.75	16	2015
Total	\$ 3,912.86		

No rate increase from Amend#4 - Contract Year 12.

DHS	\$179,631.36	
DHS	\$11,475.48	
DPH	\$3,912.86	
<b>TOTAL</b>	<b>\$ 195,019.70</b>	

Total dollar Rate Increase

<b>TOTAL</b>	<b>\$ 195,019.70</b>	
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## CIO ANALYSIS

AMENDMENT NUMBER FIVE TO AGREEMENT NUMBER H-211033 WITH HEALTH  
MANAGEMENT SYSTEMS, INC. FOR PATIENT MANAGEMENT SYSTEM SOFTWARE  
AND HEALTH CENTER OPERATIONS SYSTEM SOFTWARE

CIO RECOMMENDATION: ☒ APPROVE ☐ APPROVE WITH MODIFICATION  
☐ DISAPPROVE

**Contract Type:**

☐ New Contract ☒ Contract Amendment ☐ Contract Extension  
☒ Sole Source Contract ☐ Hardware Acquisition ☐ Other

New/Revised Contract Term: Base Term: 2 Yrs # of Option Yrs – 2 one-year options

**Contract Components:**

☐ Software ☐ Hardware ☐ Telecommunications  
☒ Professional Services

Project Executive Sponsor: Mitchell H. Katz, Director – Department of Health Services

**Budget Information :**

Y-T-D Contract Expenditures	\$ 25,767,378
Requested Contract Amount	\$ 17,153,114
Aggregate Contract Amount	\$ 42,920,492

**Project Background:**

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project legislatively mandated? Title 28, Article 9, Sections 1300.75.4.3 and 1300.84.6 require managed care health plans, including the County's Community Health Plan (CHP) and the State Department of Managed Health Care, to have a member and enrollment reporting system as well as a data reporting system.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project subvented? If yes, what percentage is offset? These expenditures are offset 100% by state and federal funds, resulting in no NCC.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project/application applicable to (shared use or interfaced) other departments? If yes, name the other department(s) involved?

**Strategic Alignment:**

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project in alignment with the County of Los Angeles Strategic Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project consistent with the currently approved Department Business Automation Plan?



<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project's technology solution comply with County of Los Angeles IT Directions Document?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project technology solution comply with preferred County of Los Angeles IT Standards?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	This contract and/or project and its milestone deliverables must be entered into the Information Technology Tracking System (ITTS).

### Project/Contract Description:

Department of Health Services (DHS) is requesting authorization to execute Amendment Number Five to Agreement Number H-211033 with Health Management Systems, Inc. (HMS) for the ongoing provision of maintenance, support and training for DHS' Patient Management System (PMS) and Department of Public Health's (DPH) Health Center Operations (HCO) system software. This Amendment would extend the current Agreement term, which expires on December 30, 2011 for two years with two one-year options and increases the maximum contract by \$17,153,114, if the both option years are exercised.

### Background:

DHS' PMS supports eligibility verification, authorizations, and claims processing for the Medi-Cal Managed Care Program, Healthy Families Program, In-Home Supportive Services Provider Plan, Healthy Way LA Program, and General Relief Health Care Program. DPH's HCO supports patient registering at 15 Health Care sites and clinic scheduling for various clinics at these sites (Sexually Transmitted Diseases, Tuberculosis, Communicable Disease, Immunization, and Refugee Health). It also serves as the repository to capture encounter codes (i.e., ICD-9, CPT) for the purpose of billing Medi-Cal and tracking clinic workload.

In January 1984, a purchase order (PO) was issued to Global Health Systems, Inc. (Global) for the purchase and installation of the proprietary Global PMS and HCO products. Your Board approved two prior Agreements with Global for software system maintenance services for the PMS and HCO system software. On December 14, 1999, your Board approved the Agreement H-211033 with HMS for the continued system maintenance services for PMS and HCO and this Agreement has been subsequently amended four times.

### Project Justification/Benefits:

California Code of Regulations Title 28, Article 9, Sections 1300.75.4.3 and 1300.84.6 (Title 28) requires managed care health plans, including the DHS' Community Health Plan administered by DHS to have a member and enrollment reporting system as well as a data reporting system. The PMS component satisfies this requirement for DHS. The HCO component provides needed support for system software at DPH health centers.

DHS conducted a Request for Proposal (RFP) solicitation to replace PMS and began negotiations with highest ranked proposer in March 2010. However, these negotiations were suspended in April 2010 due DHS plans to restructure its health care delivery model (hospital focused in-patient system to Ambulatory Care Network (ACN) preparation for health care reform. Subsequently, in June 2011 the vendor's proposal offer expired. As a result, the

current Agreement with HMS needs to be extended until the restructuring is complete and new business needs documented. With this in place, another solicitation process can be initiated which will appropriately address the appropriate needs and requirements of the County.

**Project Metrics:**

Successful execution of this Amendment will be measured by DHS and DPH's ability to support its current day-to-day operations using the two systems.

**Impact on Service Delivery or Department Operations, if Proposal Is Not Approved:**

Approval of this current Amendment will ensure uninterrupted day-to-day operations and continued maintenance, support, and training for the existing PMS and HCO system software. If this Amendment is not approved, DHS day-to-day operations would be severely impacted and the transition to the new ACN business model would be critically impaired.

**Alternatives Considered:**

Since the existing PMS and HCO software systems are proprietary to HMS, no other alternatives could be considered until such time as the new ACN structure is in place.

**Project Risks:**

The Chief Information Security Officer reviewed the Amendment and did not identify any security risks or issues.

**Risk Mitigation Measures:**

Since no significant risks have been identified, no risk mitigation measures are deemed necessary.

**Financial Analysis:**

This Amendment would increase maximum contract sum of the Agreement by \$17,153,114 (\$16,228,212 for DHS and \$924,902 for DPH) to a total of \$42,920,492, if the both option years are exercised. The table breaks out the services that will be acquired by DHS and DPH under this Amendment.

DHS PMS	
Description	Amount
Project Administration	\$ 1,027,730
Third Party Software (Cache)	113,176
Application Software	277,830
Training	46,986
Professional Services (programming, reports, etc.)	10,102,925
Claims Processing	4,659,565
Total	\$ 16,228,212

### DPH HCO

Description (HCO)	Amount
Application Software	\$ 350,430
Operating System Software	95,305
Training	54,817
Professional Services (includes programming)	424,350
Total	\$ 924,902

DHS and DPH represent funding for this Amendment is included in their 2011-12 Final Budget for DHS and DPH. Funding for future years will be requested as part of their annual budget process.

#### CIO Concerns:

None. We will be requesting periodic reporting from DHS on the progress of the ACN restructuring and any planned systems that may be required to replace PMS.

#### CIO Recommendations:

The CIO recommends approval of this Amendment.

### CIO APPROVAL

Date Final Documents

Received: 10/26/2011

Prepared by: Sanmay Mukhopadhyay

Date: 11/15/2011

Approved:

Date:

Greg Melton  
11/17/2011